

Building the Social Economy through Government Support:
Understanding the Relationship

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A paper prepared for presentation at the 2009 ANSER/ARES annual conference,
Carleton University, Ottawa, ON, May 27-29, 2009.

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By: Dr. Kathy L. Brock¹

Change is a constant in the world of social economy and nonprofit organizations, particularly in their relations with other organizations and the public. Citizen demands shift according to population trends and preferences, causing organizations to frequently reassess their programs, services and methods of operation. Economic trends may cause organizations to review their operations. All these forces may cause nonprofit organizations to build new alliances, merge, reconsider existing relationships or even cease operation.

In many cases, these societal and economic changes may force changes in relations with governments but governments may also impose new demands or pressures through new contracting, funding or accountability arrangements, by re-evaluating current services or program delivery, or by requiring organizations to fulfill new roles in either the policy process or society. Both the federal and provincial levels of government are moving away from traditional “command and control” models of government to what is known as a “governance model”. This requires more reliance upon external organizations to advise on policies and deliver services and programs to the public. The shift requires the movement from traditional hierarchical relationships in which the government actors define the nature of the relationship to negotiated arrangements between the two sectors. However, in spite of this trend, tensions abound as governments often still attempt to retain control and enforce accountability requirements that are not negotiated but imposed and at variance with the nature of the service or program. Defining the relationship between the two sectors in largely instrumental terms, that is, according to what the two sectors can do for each other, further complicates the role of nonprofit organizations in the policy process by leaving the questions of advocacy and critical analysis of public policies in abeyance.

As nonprofit organizations exercise more influence in policy design, development and delivery, they have come under more scrutiny. The governance and accountability scandals affecting a small minority of nonprofit organizations in Canada and the U.S. in the 1980s and 1990s created a new attentiveness in the media that has only been fostered with the increasing role of nonprofits in delivering services to needy portions of the population both home and abroad. As the level of public donations to nonprofit organizations increases, this scrutiny is intensified. Not only is the office of the Auditor

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General examining the relationships established between nonprofit organizations and government departments more closely and providing a source of material to the media, the media are tracking nonprofit organization performance on a more sustained and regular basis.

This paper will examine the changing relationship between nonprofit organizations and governments in all its fullness as nonprofit leaders position their organizations to survive and thrive in this inconstant social, economic and political environment. The paper begins by examining the changing paradigm of accountability within government and its impact on organizations. The second section outlines and analyzes four prominent proposals for understanding the relationship between the two sectors. The third section offers an alternative approach to these proposals. The paper argues that while all of the approaches yield valuable insights into the relationship between the two sectors, the last approach not only offers insight into the relationship but provides a means of assessing how government can be most effective in supporting the nonprofit sector both as an independent entity and as a integral player in policy development and implementation.

Accountability, the Westminster Model of Government and the Social Economy

In a globalized and more competitive environment, governments are increasingly expected to build community, position their countries economically and ensure national security in all its forms, all while their capacity is being diminished through reorganization, streamlining and reducing expenditures (Reich 2001, 207-10). The devolution of powers to external agencies and other governments has become a normal process of operation. The result is the increased need of government departments for collaboration with external agencies in the private and nonprofit sector and special operating agencies (Webb, 2005). The role of government becomes one of surveillance and monitoring to a greater extent and less of direct action and involvement as a service provider with the citizenry.

The paradox is that government not only remains answerable for these policies, services and the quality of life enjoyed by citizens, but also must confront new expectations that are being formed. The emergence of an audit society, a citizenry that is more aggressive and less deferential, involves

demands for greater transparency in the conduct of public business by political and administrative officials, increased public access to government information, more explicit standards of public service entitlements and rights, enhanced citizen consultation and engagement in policy development and in the design and delivery of public services, and, among other things, public reporting on the performance of government (Aucoin & Heintzman 2000, 245; Dean 2007).

The result is a system that is measured less in terms of process and inputs and more in terms of outputs and outcomes. Efficiency and performance evaluation become the hallmarks of government action. Accountability is the new buzzword.

What is accountability in government? The constant is that accountability literally means “to hold to account”, or “capable of explanation”. In a political system like the Canadian one characterized by the Westminster parliamentary model of government,

accountability translates into: the ability of citizens to hold governments responsible for their policies and programs through elections; the ability of politicians to oversee and ensure the responsiveness of the administrative branch of government to the public; and the power of the courts and tribunals to ensure that elected and non-elected public officials act in conformity with the powers of their offices. While the first two forms of accountability have traditionally operated in a hierarchical authority structure, the latter has imposed a horizontal check on the actions of government.

The notion of accountability within government is changing as governance becomes the new mode of operation (Sutherland 1991; Peters & Savoie 1999; cf. Thomas 1998). Aucoin and Heintzman identify three central tenets of accountability within the parliamentary system as: “to control for the abuse and misuse of public authority”; “to provide assurance in respect to the effective use of public resources and adherence to public service values”; and, “to encourage and promote learning in pursuit of continuous improvement in governance and public management” (Aucoin & Heintzman 2000, 244-45). They suggest that there is an inherent tension between these purposes of accountability but that improved performance and measurement (read efficiency) are not necessarily antithetical to improved accountability. The hierarchical models of control and the objective of assurance can be balanced with efficiency and more horizontal modes of governance. Decentralization does not always equate with improved efficiency, just as hierarchy, uniformity and central control may be efficient and responsive to public need. Similarly, managing to outcomes and outputs may become just as ossified as a system of accountability measured on inputs and process. Good governance requires a certain fluidity and the right balance of the three purposes.

This change in government operations has had an impact on the relationship between the nonprofit sector and government as well as on the internal operations of the sector and organizations. To justify funding nonprofit organizations to provide services and programs previously administered by the public sector, governments must provide public assurances that the organizations will be held accountable for the efficiency and quality of those services and programs. Thus, while governments might be attracted by the flexibility enjoyed by nonprofit organizations in delivering goods and services, they will require certain operational methods to remain standard, such as financial management and accounting practices, key policy objectives including equity, forms of program evaluation and measurement, and adherence to human rights and environmental objectives. Public scandals involving nonprofit organizations in various Western nations have caused governments to impose more stringent public accountability requirements than in the past.

Government requirements for accountability have been largely accepted by nonprofit organizations but do cause consternation for five principal reasons. First, greater accountability to the public sector is not uniformly embraced across the nonprofit sector. Second, stricter public sector reporting requirements can increase bureaucracy within agencies at the cost of flexibility, informality, internal control over operations and responsiveness to members or beneficiaries. Third, dependence on government funding and entering into shared arrangements with government departments may compromise an organization’s independence and its ability to serve as an advocate for the sector or to criticize government policy in that area. Fourth, in the quest for efficiency, governments have imposed upon nonprofit organizations principles of “new public management”

including the market ethos,² transforming citizens into consumers and beneficiaries of services into clients. This designation may obscure the more meaningful and personal relationship between the nonprofit organizations and their members or community served. Fifth, to meet the externally driven notions of accountability and efficiency, nonprofits may be obliged to move away from traditional strengths such as diversity and a democratic (or grassroots) ethos.

These concerns are valid and require vigilance among organizations as they adapt to the changing environment. However, there are key benefits for organizations in improved and closer relations between the nonprofit and public sectors. For example, public funding provides a measure of financial security for organizations to achieve their goals, particularly after an organization establishes a good reputation with a department. Recent federal and provincial government improvements to contracting-out procedures and clarification of performance measures enhance the desirability of such contractual arrangements. Meeting public sector requirements for accountability and establishing a record with public partners, improves organizations' chances of securing funding from or collaborating with other nonprofit or private sector organizations. Finally, these relationships may result in closer harmonization of public and nonprofit objectives and definitions of public service, to the benefit of both, and most of all, to the Canadian public.³

Given the advantages and disadvantages for both sectors in this relationship, two questions arise. First, how can the relationship be better understood in all its complexity? Second, once this understanding is achieved, how can it be used to guide the relationship between particular government actors and sector actors to ensure that both sides benefit to the greatest degree possible? The following section explores four means of understanding the relationship that begin this task.

Understanding the Nature of the Relationship with Government

This section of the article offers four means of understanding the relationship between the social economy and nonprofit sector and governments. The first two, offered by Gidron, Salamon and Kramer and by Phillips and Graham, focus on capturing the complexity in the relationship while the second two, offered by Pross and Webb and by Scott and Struthers, focus on specific aspects of the framework. Each elucidates the changing nature of the relationship between the two sectors.

1. No Longer Allies and Adversaries

² "New public management" refers to a new paradigm in government operations. It embraces: providing high quality services valued by citizens; increasing the autonomy and decision-making authority of public managers; measuring and rewarding organizational and individual performance; investing in the necessary human and technological resources to enhance performance; and valuing competitiveness and openness with regards to the delivery of public services by the nonprofit, private and public sectors. For a discussion of these values, see Blakeney and Borins 1998, esp. 156-58.

³ For an excellent guide on introducing and improving accountability measures in nonprofit organizations, see: <http://www.vsi-isbc.org/eng/funding/financial_guide/index.cfm>.

Traditionally, relationships between nonprofit organizations and governments have been characterized as conflictual or competitive. In this view, organizations were cast as critics of the state or as being threatened by state intervention. However, in a seminal study of the relationship between the state and the nonprofit sector, Benjamin Gidron, Ralph Kramer and Lester Salamon refuted this depiction in favour of a much more complex characterization of it (Gidron, Kramer & Salamon 1992; cf. Young 1999). They argue that the relationship between the state and the nonprofit sector will be influenced by the functions each side performs, the method of financing, the historical context, as well the political culture and social context of the relationship. In Canada, this would mean that, while some generalizations about the relationship might be made for the nonprofit sector at the federal level, these assumptions would not hold for the relationship between the state and sector in each province. Indeed, variations would even occur at the local or municipal level.

The relationship is even more complex. Since both governments and organizations have multiple roles, it is “quite possible for third sector organizations to have one set of relationships with government with respect to their service functions and another with respect to their representational or advocacy functions” (Gidron, Kramer & Salamon 1992, 11). While organizations might be critics of government policies and attack the very departments that fund them, governments may be equally torn between supporting organizations that deliver their programs and enforcing regulations. In the case of the federal government — Voluntary Sector Initiative (VSI), which brought together senior representatives from both sectors to redefine their relationship for the future, officials found themselves negotiating as equals at the VSI table but then dealing with each other in contractual arrangements at the level of department-to-organization with all the tensions implicit in those relations. This experience has been replicated in provinces like Alberta, Saskatchewan and Manitoba where initiatives similar to the VSI have been undertaken.

To make sense of the complexity in these relations, Gidron, Kramer and Salamon offer four basic models of the types of relationships that can exist between the state and sector but then distinguish between two types of functions involved in service delivery, namely, the financing and authorization of services, and the delivery of services. Figure 1 captures these models and their variations.

Figure 1: Models of Government–Nonprofit Sector Relations

Function	Model			
	Government Dominant	Dual	Collaborative	Third Sector Dominant
Finance	Government	Government/Third Sector	Government	Third Sector
Delivery	Government	Government/Third Sector	Third Sector	Third Sector

In the Government Dominant model, typical of modern welfare state arrangements, the government is the main provider of both funding resources and services to the public, with the nonprofit sector playing a largely supplementary role determined by the state. In the case of the Third Sector Dominant model of relationships, typically found where there is opposition to a large role for the state in social welfare provisions, organizations play

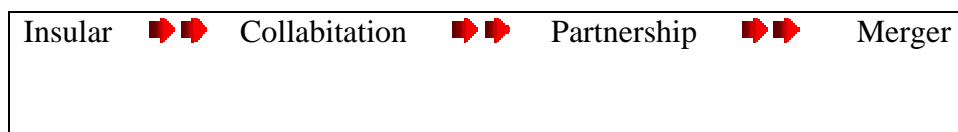
the key role in financing and delivering services. In the Dual model, the state and sector operate relatively autonomously of each other, both providing services and financing their operations. The sector might be either supplementary or complementary to the state but will be principal in its areas of operation. In the Collaborative model, both act but tend to work together and most often with the state as funder and sector organizations as service providers. The degree of autonomy and shared functions will be dependent on negotiations. The political appeal of organizations combined with the difficulty of governments in monitoring sector organizations means that the collaborative arrangements are more common than is usually assumed (Gidron, Kramer & Salamon 1992, 16-19). Gidron, Kramer and Salamon demonstrate how this paradigm can be used to offer a general characteristic of the prevalent relationship in each country they study.

This model is excellent for offering a general appreciation of how the relationship operates and distinguishing between jurisdictions. In Canada, for example, it could be used to explain the differences among the provinces. While Quebec, Alberta and Newfoundland would be characterized as variations of the Collaborative arrangement, Ontario and BC would be more similar to the Government Dominant arrangement. The distinctions are useful for understanding the operations and responsibilities of the two sectors in policy and service. However, the framework does not convey a sense of the complexity within the relationships themselves and how to guide the relationship to ensure the maximum benefits are obtained for both sectors and ultimately citizens. IT is more a classificatory tool. As a starting point, though, it is helpful.

2. Working Together Model

In their study of state-sector relations in Canada, Susan Phillips and Katherine Graham accept that collaborative arrangements between the nonprofit sector and government have become more common (Phillips & Graham 2000). They suggest that it is useful to distinguish among the types of collaborative arrangements by placing them on a continuum as Figure 2 does.

Figure 2: Types of Collaborative Arrangements



At one end of the continuum, organizations operate autonomously with little or no collaboration with government, other organizations or the private sector. In the second phase, “collabitation”,⁴ organizations co-operate in some areas of the relationship but are competing for resources. The third phase foresees more co-operative relations with greater sharing of resources, risk, information and decision-making authority between the state and organizations. While equality is an ideal in a partnership, it cannot be assumed and the degree of equal authority in the relationship will depend on the negotiated terms. In the extreme form, collaboration can lead to mergers. State-imposed accountability

⁴ The authors constructed this term to capture the idea of both collaboration and competition.

requirements have meant that organizations are locked into the collaboration model of relations predominantly.

Like the Gidron, Kramer and Salamon typology, the Phillips-Graham continuum offers an analysis of the relationship in terms of its functions and nature. Unlike the former, the latter depiction does not use the historical context and is rooted in the current phase, but it does go beyond the state-sector duality to include relations with the private sector and among organizations. In this way, it provides a robust account of the operation of the third sector in a society. However, the framework does not convey the full complexity of relations among organizations and government, instead blurring them under the constructed title “Collaboration.” As a result, the means of improving and maximizing relations is lost as is some clarity.

3. A Focused Approach

In contrast to the two previous approaches, Pross and Webb offer a more nuanced approach but start from the government perspective. They argue that the nature of the relationship between the state and organizations, and in particular the ability of organizations to perform an advocacy role, is heavily influenced by the regulatory regime in operation.

A. Paul Pross and Kernaghan Webb document the regulatory reach of the Canadian federal government on the nonprofit sector in a groundbreaking study (Pross & Webb 2003). They argue that viewing federal authority over the nonprofit sector as largely determined by its constitutional jurisdiction over taxation is misleading and too narrow. Instead, they identify a more comprehensive but often conflicting regulatory regime that encompasses seven areas of authority over charities and nonprofit organizations:

- Accountability
- Regulation of access to policy formulation
- Corporate status
- Direct funding
- Tax expenditure funding
- Regulation of lobbying
- Regulation of participation in elections

Each can impact on organizations and affect their operations in important ways. Given that provincial legislation for nonprofits may incorporate or mirror federal legislation, it is important to understand this regime.

The first two forms of regulatory measures range from the requirement for filing a tax form each year, to the obligatory audits and evaluations associated with government grants and programs, to adherence to criteria to maintain access to policy formation, to more informal requirements to ensure trust and co-operation between nonprofit and public officials. Corporate status for nonprofit organizations is desirable, especially to limit directors’ liability, facilitate legal transactions, secure government contributions funding or raise the level of public donations by establishing a reputable form, and to ensure organizational stability and structure. However, acquiring such status may be

expensive, confusing and time-consuming for many organizations while yielding few direct benefits (Pross & Webb 2003, 77-79).⁵

Similarly, obtaining recognized status under the Income Tax Act⁶ may result in direct benefits for organizations, including the ability to issue tax receipts for donations in addition to being exempt from paying taxes (this latter provision applies to registered nonprofit corporations whether or not they are charities under the Income Tax Act). However, as with corporate status, obtaining charities status may be time-consuming, expensive and confusing, and imposes restrictive standards on the expenditure of funds, including the obligation to spend money as promised when raised, the duty to spend a majority (usually 80 per cent) of funds on charitable activities, the restriction on nonpartisan political activities (10 per cent of resources), and the need to meet a public benefits test. Some of the burdens of charitable status have been eased by federal activity flowing out of the VSI.⁷ The size of a charity or nonprofit organization will affect the application of these regulations.

The other three federal regulatory measures can circumscribe the behaviour of charities in important ways. Direct funding has moved towards contribution agreements and away from grants with implications for accountability and performance of organizations. The federal Lobbyists Registration Act⁸ requires the formal registration of lobbyists who are attempting to influence government policy and who are either employees of an organization with a significant amount (20 per cent) of their time dedicated to that purpose or consultant lobbyists acting on behalf of an organization. However, as Pross and Webb point out, the requirements for registration are ambiguous and do not affect activities like “responses to government requests for consultation or in the form of appearances before inquiries, parliamentary committees, and so on” (Pross & Webb 2003, 98). Given the limited amount of “pure lobbying” done in the sector and the ambiguity around the need to register, the legislation has limited effect on organizations. In a similar vein, electoral regulations affecting the ability of nonprofit organizations to advertise during elections or engage in partisan activities do not apply to the vast majority of nonprofits (Pross and Webb 2003, 101-04)). While advocacy organizations might see a benefit in direct partisan engagement in an election, most organizations would value their nonpartisan status. The regulations on partisan activities do not impede the ability of organizations to track issues during campaigns and conduct public awareness campaigns of party positions and issues.

New regulations and guidelines add to the complexity of this web of rules. For example, on July 2, 2008, the new federal Lobbying Act included measures to strengthen transparency, enforce compliance and to monitor public office holders more closely.⁹ Similarly, the 2006 Federal Accountability Act and action plan impose new standards for the expenditure of public funds and impact government relations with nonprofit and voluntary organizations.¹⁰

The Pross-Webb study is useful for understanding the web of rules emanating from government to entwine the sector. The level of detail provides insight into the limits of

⁵ Federal attempts to introduce a *Nonprofit Corporations Act* have only mitigated these problems somewhat.

⁶ R.S.C. 1985, c. 1 (5th Supp.).

⁷ For a discussion of changes to federal regulations affecting corporate and tax status, see: <<http://www.vsi-isbc.ca/eng/regulations/index.cfm>>.

⁸ R.S.C. 1985, c. 44 (4th Supp.).

⁹ <http://www.faa-lfi.gc.ca/fs-fi/16/14fs-fi-eng.asp>

¹⁰ See <http://www.faa-lfi.gc.ca/index-eng.asp>.

actions that both sectors may take with respect to each other and some of the faultiness in the relationship. However, they do not explore the nature and quality of the relationship as the two previous studies do. As a result their framework is more limited in answering the two questions posed above. In fairness though, this was not their intent.

4. Money Rules

The funding relationships between the federal government and nonprofit community have undergone significant changes in recent years. As the Canadian Council on Social Development has documented, funding matters. It is not just the amount of funding that makes a difference, but the type of funding regime (Scott 2003 and 2003 Summary). In this important work, Scott tracks the shift from core funding to project funding, noting the impact that this change has on the ability of organizations to maintain operations and their missions as their administrative functions are starved of resources. Instability of funding, shorter funding terms, increased reporting requirements and the need to collaborate with other organizations to secure funding add to the operation costs of organizations which are not compensated in the contracts gained.

The sector is resilient and has adapted remarkably well to the pressures of these changes, all things considered. However, Scott names some worrisome trends including: volatility of resources which affect an organization's stability and capacity to provide consistent quality in services; mission drift as organizations vie for funding; a loss of infrastructure that sustains the organizations; reporting overload caused by the concurrent loss of staff and multiple reporting requirements and forms by multiple funders; precarious financial structures and dependence on maintaining multiple funding sources to survive; an advocacy chill as organizations attempt to maintain good relations with multiple funders with divergent directives; and human resource fatigue in an increasingly competitive and onerous environment. The pressure of the new funding regime identified by Scott constrains the creative and longer-term work that has characterized the sector.

A key point of tension in the funding relationship between the federal government and the nonprofit sector has been the move towards contribution agreements and away from sustaining grants. Contribution agreements are favoured within the public sector as a means of ensuring stricter performance measures and reporting requirements consistent with the Auditor General's guidelines. These contracts involve specified terms and outputs and strict reporting requirements (usually quarterly progress reports, financial reports and an independent assessment). Eligibility requirements for organizations are also strict. Protracted negotiations and public sector approval of the agreements, heavy reporting requirements (often disproportionate to the amounts involved), lapses or delays in funding as reporting documents are filed and approved, monitoring of contracts and inconsistent standards for approval, as well as changing requirements in the agreements, have produced frustration for both public and nonprofit sector officials whose common objective is to ensure funds are available for the provision of reliable, stable and worthy services and causes. However, the auditor's chill in the public sector has meant that these accountability measures are likely to remain despite efforts made in the VSI to streamline negotiations and provide more flexibility in funding arrangements.

Marilyn Struthers fills in the other side of the relationship with her suggestions on how organizations may not just to cope with change and strive for stability but to accept change as the constant and recognize it as an opportunity to thrive. She identifies four main characteristics of organizations that enable them to obtain financial vibrancy,

defined as “the capacity of an organization to transition from one sustainable moment to the next” (Struthers (2004, 2-3). First, organizations must build an organizational culture and architecture that allows for fluidity in roles that can be adapted to build links with other organizations without losing identity or mission focus. These linkages may include umbrella organizations, networks of information sharing, global ties with similar organizations, strategic alliances, in-kind exchanges, joint ventures and collaborative planning in addition to developing a long-term, networking relationship with funders. Second, they must engage in strategic planning with multiple stakeholders, including reflection upon and learning from past experiences, and focusing their missions. Third, they should pursue funding sources that “further their mission while generating revenues such as fee-for-service projects, developing research capacity or marketing training” rather than developing adjunctive activities that raise funds (Struthers 2004, 8). In short, they must focus on the creation of social value through revenues consonant with their missions and organizational strengths. Finally, they should “have a strong and creative understanding of organizational financial management and accountability”, that results in a deliberate resourcing strategy consonant with missions and values (Struthers 2004, 9). Developing these traits will prepare organizations to enter into a more creative and productive alliance with funders.

In contrast, Dan Pallotta examines the relationship of the two sectors by focusing on the historical roots of the sector which animate its values still. He argues that the current regulatory regime for charities is based upon outmoded philosophies. It is wrong to ask charities to be more efficient in a changing social and economic environment without allowing them access to the tools of the free market. He suggests that charities, and by association nonprofits, have to be integrated into the economy and allowed to use the tools they need to address social needs. Such tools include compensation for executives, risk-taking, long-term vision, advertising and capital investment (Pallotta 2008, 8-9, 35-6)). Similarly, the standard for assessing the work of charities and nonprofits cannot be the simple market test of efficiency but must be multifaceted and include effectiveness of service (Pallotta 2008, 168-176). Enabling charities to function more like profit organizations would require regulatory reform but also a re-engineering in thinking about the nature and purpose of the charitable, nonprofit sector. However, this thinking may have begun with the blurring of lines between the public, private and nonprofit sectors.

Examining the relationship from the perspective of finances and funding does provide insight into both the limitations on organizations and the nature and quality of the relationship. Like the Pross-Webb study, it yields important detail about the two sectors as well as areas for improvement. But like the Webb-Pross framework, it doesn't inform us about the entire relationship. Focusing on funding may cause us to relapse into the Allies-Adversaries paradigm that Gidron, Kramer and Salamon advised us was too narrow.

Taken together, the four studies each provide important guidance on developing a framework to capture the complexity of the state relationship with the nonprofit sector. Gidron, Kramer and Salamon provide the key ingredients that any framework must incorporate: functions, financing, historical, and political and cultural context. Phillips and Graham remind us that relations occur along a continuum from insular to merged. Pross and Webb illuminate the complexity of a relationship by examining the regulatory regime and remind us to delve beyond the general into specifics. Scott, Struthers and Pallotta independently emphasize the impact of funding and response of organizations on

the quality of the relationship. The following continuum attempts to incorporate each of these lessons into a means of characterizing the relationship that captures its breadth as well as the depth and layers.

A Continuum for Understanding the Relationship

In positioning itself with the state, a nonprofit organization should understand the fundamental nature of the relationship. What is the best possible funding arrangement? Is the sector influential enough to negotiate more autonomy? How much does the state require its services? Are there other organizations that are likely to be competing for the same contract or resources? If so, are they better positioned? Is collaboration among competing organizations possible or desirable? Questions like these will determine the parameters of the funding negotiations.

The second step in understanding the nature of the relationship is to examine the service or function involved. Is it one the state has traditionally provided? If so, more state control might be expected. Is it new? Does the organization have expertise needed by government? If so, the organization can assume more dominance in the relationship and negotiate for more autonomy. Is it an area better shared by both state and sector organizations? If so, the lines of decision-making and the scope of authority of both actors must be clearly delineated to ensure lines of responsibility are clear and conflict is minimized.

The third step in an organization's calculations concerns its advocacy or representational role. Where the state is dominant and the organization is more dependent on state funding and authorization, or where the organization has become a stakeholder in policies through shared authority, the organization will need to be more circumspect in its public criticism of government. As autonomy increases, organizations have more latitude to criticize government policies and programs, bearing in mind that positive relationships are more likely to develop in future when the criticisms are judiciously and discreetly offered and, on the state side, capable of acceptance.

The types of relationships constructed and maintained between the public and nonprofit sector to deliver services are as varied and intricate as the nature of services available to Canadians. The nature of the relationship will depend on the funding relationship, the type of service, the relative strengths of the bureaucracy and nonprofits, the importance of the issue to the political agenda, and the history of the working relationships established between the public and nonprofit actors as well as the current and past political and social values animating the relationship.

The state orientation to the sector in this broad range of relationships can be best described using a continuum (see table 1). At one end of the continuum, governments act as enablers. In the fullest expression of this role, governments open the policy process to relevant organizations as partners and provide any necessary support to ensure that the organizations take advantage of this opportunity while respecting their autonomy and independent decisionmaking process. Social economy organizations have an equal part in the design and implementation of policy and identify where monetary or other support was needed to ensure full participation with government or in the market as the case may be. Full partnerships are relatively rare.

At the other end of the spectrum, government acts as an enforcer. In the strongest expression of this role, the government enacts legislation, most often unilaterally defined or with limited consultation, and attaches penalties and sanctions, to force compliance with expected standards or behaviours. Penalties are applied through special tribunals and administrative bodies or the police and courts. Government acts in a directive and activist role, assuming the responsibility of defining the necessary behaviours or standards, policing the agents, and ensuring compliance. Social economy organizations operating as autonomous market organizations are at this end of the spectrum, mainly affected by the legislative regime.

Between these two extremes are a range of actions from cooperative to coercive that governments might adopt to support and promote the social economy. As partners, the state and organizations engage as equals in the promotion of mutually defined policies and goals. This may be the case where an Accord between the state and the sector has been signed defining the relationship and setting out the rules of conduct, and both actors respect the autonomy of the other and abide by the Accord. However, where government respects and heeds the advice of an organization but retains final decision making authority or regulatory or monetary control, the relationship will resemble a collaboration more than a partnership (Brock, 2005; Phillips 2003).

In the third category of enabling actions, the state actively seeks opportunities to support the sector, for example by offering organizations money to assist with a responsibility without requiring the agency to submit an application for the funds or to report back on the expenditure, or by providing start-up funds to create an autonomous organization to provide a public service or function. The state is empowering the sector but acknowledging its independence. In a more passive but still positive role, the state provides information or resources necessary for organizations that organizations access themselves through the internet, newsletters, applications or other means. The onus is on organizations to seek opportunities. Finally, in its softest role as an enabler, the state exhorts action and offers praise or rewards when compliance is evident.

State as Enabler						State as Enforcer					
Hard		Soft				Soft				Hard	
Partners	Accord	Seeks out opportunity to support	Promotes common goals	Provides Information	Exhorts Action Praise	Exhorts Action Threats	Eligibility rules	Tied Aid	Regulations	Legislation	Legislation penalties
Cooperative Equal	Collaborative	Benevolent	Kind	Passive	Parental	Parental	Guardian	Directive	Imposing	Mandate	Coercive Unequal

On the other side of the continuum, the state acts in an enforcement capacity with its hardest form of action consisting of legislation or common law rules with defined penalties and sanctions. Legislation without penal sanctions is a more moderate form of coercive action. Regulations still impose the will of government on the organizations but are easier to change (ex. setting standards in service provision). Funding can be an enabling mechanism but when directly tied to ensuring certain behaviour or standards, then it is coercive particularly if the central mission of an organization is affected. Eligibility rules for programs, service provision or funding are also coercive but less

onerous than tied aid if the exclusion is voluntary and similar support is available elsewhere. On the soft side, the state may exhort or prohibit certain types of action but with threats, such as loss of funding or a licence, attached if an organization does not “voluntarily” comply. Threats (enforcement) and praise (enabling) merge into each other.

Relationships between government and organizations often fall into multiple categories simultaneously. While an organization might be a partner with a government department in providing a service to the public, another part of its organization may be engaged in a more adversarial relationship with that same department in trying to effect policy changes on a more general issue, and its communications strategy might be dependent on government funding. Thus, the continuum helps identify the different aspects of a relationship and which is primary, determine whether a relationship is more likely to be responsive to enabling or enforcement actions, and ascertain whether enabling or enforcing actions are more appropriate at any given time. While the continuum is generally helpful in characterizing the different types of actions that the state might take to support the sector, it should be noted that enabling actions may shade into more coercive ones in certain contexts and vice versa. Coercive or enabling state actions may be positive or beneficial to the sector. Positive enabling state support for the sector may have an implicit enforcement clause.

The strength of using this continuum is that it can capture the complexity of relationships between the two sectors with the general categorization of Gidron et al and Phillips and Graham but also the specificity of Pross-Webb and Scott-Struthers. For example, the social and political history and cultural values underlying the relationship will understand why a particular configuration of relations is established between an organization and government department. The long history of shared values and financial independence of a department of finance and the Chamber of Commerce may result in an easier partnership in policy development than a newly formed immigrant women’s organization would experience since it would need to build the trust critical to that arrangement. However, the immigrant women’s organization may find itself freer to express unpopular views to a government department and elicit change than the Chamber of commerce or as happened during the constitutional negotiations in the 1990s, new and smaller organizations like the immigrant women’s groups were more capable of responding in a hearings forum with a prepared and supported brief than organizations like the Chamber of Commerce with its more cumbersome governance structures. The continuum provides insight into these differences and strengths as well as weaknesses in the relations by capturing the contradictions in the relations.

On a more general level, this continuum provides a means of characterizing the general relationship without losing sight of the wide variations among jurisdictions. So for example, the Ontario government relationship with the sector may be characterized as cautious enabling while the Alberta relationship might be more akin to collaborative. And while relations in Newfoundland might be approximating cooperative if the arrangements between the provincial government and lead organizations in the social strategy are considered, they might be more similar to benevolent enforcement if the relations of the government and lead organizations with the rest of the community are considered. Both

need to ensure rules are followed but do so in an air of constructive support and building the sector. Similarly, relations in Quebec for the social sector could be considered enabling partnerships but outside that sector would be more soft enforcement. To yield more precise descriptions of each jurisdiction would require analysis of the sectors in each but for our purposes this provides a general idea of how the continuum could work.

Thus, the continuum provides a useful framework for understanding the nature of relations between the state and the nonprofit and social economy sector on a macro level but it is also helpful in understanding the complexities of relations between particular organizations with one or more departments of government. Once this complexity is understood, then reforms can be introduced for the sector as a whole in a way that will not adversely affect specific subsectors or organizations. Moreover, once organizations inquire into the state of their relationships with government, then they can perceive the amount of latitude they have in altering that relationship. As an obvious example: if an organization is heavily tied to the government for financing, it will have less manoeuvrability in criticizing the government's policy in that area unless it forms an effective coalition with other organizations with affiliated interests. Further, if an organization is largely independent of government for financing as cooperatives tend to be, then its primary relationship with the state will be at the enforcement end of the spectrum, meaning that it will need to be vigilant of any changes to legislation or regulations affecting that organization's sector but also sufficiently independent to lobby for or against those changes. However, it will still want to understand how those proposed changes may affect other components of the web of rules touching the social economy.

Conclusion

Understanding the relationship between the state and the social economy and nonprofit sector is an arduous task at best. The level of complexity is breathtaking not only among jurisdictions but also within jurisdictions and even within that. While no one study will ever be able to capture that complexity, it is best to be aware of the complexity when recommending or reforms that will materially affect relations. The continuum developed here combines the strength from four key approaches to understanding government-sector relations. In so doing, it provides a basis for understanding how relations may be improved to operate to the benefit of the parts and the whole.

In an era of greater government accountability and public vigilance over social economy and nonprofit organizations, both government and sector actors will be most effective if they understand the nature of relationship in this complexity. The continuum will prompt government to question when it should apply strict enforcement mechanisms to the sector or softer enabling tools to yield certain policy results. While some policy or service delivery outcomes may require state actors to approach the sector in a cooperative manner, others may require regulations and legislation with penalties. However, even in the latter case, cooperation with the sector organization in the development of those coercive measures may yield more appropriate and effective results. The key to good

policy is good information and a firm understanding of the type of relations that exist to implement that policy. This continuum yields that knowledge by building on the expertise of past studies.

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